

wealthy; the rich among us are going to be the ones who pay these taxes. Well, that is a canard. That is a straw dog. When you start increasing taxes at the rate they are proposed to be increased in this budget—\$1.4 trillion of new taxes—you are going to hit everybody. You are going to hit everybody pretty hard.

There is in this budget proposal something that is euphemistically called a carbon tax. That is a term of art to cover up what it really is. It is a national sales tax on your electrical bill. It is estimated by MIT, a fairly objective institution, that this national sales tax on your electrical bill will raise around \$300 billion a year. That is \$300 billion a year that will be added to your electrical bill. The administration says it is \$64 billion, but the same program they are talking about when looked at by an objective group at MIT, they concluded the real cost would be \$300 billion. Whether it is \$64 billion or \$300 billion, it is a huge tax that is going to affect every American when they get their electrical bill.

In addition, they have this tax which they call the wealthy tax. People making over \$250,000, they are essentially going to nationalize their income and say: If you make more than \$250,000 we are going to raise your tax rate up to an effective rate of 42 percent. Well, I guess if you don't make that type of money, it probably doesn't bother you, but think about the people who are making \$250,000. For the most part, they are small business people. They run a restaurant. They run a small software company. They run a small manufacturing firm. They are the people who create jobs in this country. Most small businesses are sole proprietorships or subchapter S corporations. The money they make is taxed to the individual who runs the small company. Whether it is a restaurant or a software company or a small manufacturer, it is taxed to them personally.

What do they do with that money? They take it and they invest it in their small business. Where are jobs created in this Nation? They are created by small business. This is a tax on small business. Then, of course, they raise the capital gains rates. They raise the dividend rates. Aren't we in a recession? Why would you raise taxes on the productive side of the economy when you are in a recession? Is that constructive to getting out of the recession? No. In fact, the stock markets are saying exactly that. They are looking at this budget and saying: Wow, this is the largest increase in the Government ever proposed, and it is going to be borne by the people who are the entrepreneurs and the small business people.

So do we really want to invest in America? Do we really want to put our money into the effort to try to make this country grow? Second thoughts. That is what is happening in the stock market. It is not constructive to economic growth.

Tax policy has to be constructed in a way that creates an incentive for people to go out and take risks. It creates an incentive for people to be willing to take their money and invest in something that is going to create jobs. When it is said to someone we are going to take 40 cents of the next dollar they make and throw State and local taxes on top of that—for example, in New York, it would amount to almost 60 percent of the next dollar they make—people start to think: Well, why should I invest in something that is a taxable event? Let me invest in something that is not a taxable event.

So instead of getting an efficient use of capital, people are running around investing their money to try to avoid taxes. As a result, we don't create more jobs; we just create more tax attorneys. Well, maybe that is jobs. I used to be a tax attorney, so I shouldn't pick on tax attorneys, but as a practical matter, it is not an efficient way to use capital.

We saw over the last 7 years prior to this recession—and granted, this recession has created an aberration for everything that is economic—we had a tax policy which saw the largest increase in revenues for 4 straight years that this country has ever experienced. We saw a tax policy which basically stood on its head the idea that if we maintain a low tax burden in capital gains, we would collect less taxes. In fact, it did just the opposite. We collected much more taxes from capital gains. In fact, over the last 7 years, because of the tax policy that was in place, the Tax Code became more progressive. The top 20 percent of income producers in this country ended up paying 85.7 percent of the income taxes in the country. That was compared with the Clinton years when the top 20 percent of income producers in this country paid 82 percent of the taxes.

At the same time, the bottom 40 percent of people receiving income in this country ended up getting twice as much back because they don't pay income taxes and they get a rebate in many instances through the EITC. They ended up getting twice as much back than during the Clinton years. So you actually had in the last 7 years a tax policy that encouraged growth, encouraged entrepreneurship, encouraged job creation, which was generating more revenues to the Federal Treasury, and yet being more progressive than during the period of the Clinton years.

What the administration has suggested is, we should not only go back to the Clinton years, we should do even more by taking an effective rate that will even go above the rate of the Clinton years to 42 percent, 41 percent. It makes no sense, especially in a time of recession, to basically have that sort of attack on small business and job producers in our Nation.

So this budget is a statement of policy which is pretty definitive, and I don't believe it is very constructive. It is a statement of policy which says we

are going to radically expand the spending in this country. We are going to radically expand the size of Government in this country. We are going to end up after 5 years with Government we can't afford, that is spending more than at any time in our history, and that is running up deficits which are going to compound the problems for our children. It is not constructive, in my opinion. I think we can do a lot better, and we can do it this year rather than wait.

Mr. President, I yield the floor.

The ACTING PRESIDENT pro tempore. The Senator from Georgia is recognized.

THE ECONOMY

Mr. ISAKSON. Mr. President, first of all, I wish to commend the distinguished Senator from New Hampshire. As a Member of the Senate, there are many people I look to for wisdom and knowledge, and JUDD GREGG is one of them. In my hometown of Atlanta, GA, there is another person I look to for wisdom and knowledge, and that is my barber, Tommy.

I got a haircut, as you can probably tell, on Saturday. I was at Tommy's Barbershop on West Paces Ferry Road and Northside Drive in Atlanta. While in that barbershop, I talked to a real estate broker, a stock broker, a pension fund manager, and a good old, average, everyday American retiree trying to figure out how he is going to make it on what the markets have done to him in the last year or so.

It is ironic—and I had no plan to make this speech behind JUDD GREGG—but they talked to me about only two things. The first one was debt because last Saturday was just a week after the announcement of a \$3.6 trillion budget, a 20-percent increase; an increase in taxes and concern because at a time of economic peril America is bearing more and more and more.

The other thing is what I rise to talk about today. We have looked into the mirror to look for the enemy, but we have avoided looking at ourselves. For a second I wish to talk through regulatory policy. I am talking about both administrations: the end of the Bush administration and the beginning of the Obama administration. I think we have been missing the mark. I wish to share some real-life stories about real-life Georgians that indicate where mark-to-market accounting is going in the United States of America, the businesses of the United States of America, and the people of the United States of America.

Some of my colleagues have watched television and watched the AFLAC duck commercials. I think they are the best commercials on television. I also think AFLAC is one of the finest companies in the United States of America. When we consider AFLAC and Dan Amos, the CEO of AFLAC, he put in stockholder consent and stockholder advice on his compensation and repealed his own golden parachute. All of

those things we all complain about CEOs doing, he did it right. But stock has plummeted in AFLAC. Do you know why? Because of the FASB rules on mark to market, his core asset base, which is long-term assets, held to maturity, to protect against insurance commitments AFLAC has made, are now being marked to market, meaning assets worth something are being marked worth nothing.

So the stock has gone down because the evaluators say the footings on the asset side of the ledger sheet aren't looking as good because of the mark to market. Let me explain the best I can what that really means.

Mortgage-backed securities are one investment a lot of life companies and other industries bought to put on their asset sheet to offset obligations they have off into the future because those securities have maturities corresponding with the maturities of the loans embedded within them of anywhere from 7 to 30 years. When the subprime market started failing last year, Merrill Lynch, in a crisis mode last July, sold its subprime securities to get rid of them; it financed the sale and sold them for 22 cents on the dollar. Under the FASB rules, assets worth 70 or 80 or 90 percent were marked down to 22 percent. That lowered the asset side of the ledger and made the stability of the company look—and I underline that word “look”—worse, when, in fact, those assets, held to maturity, would not be anywhere near the value.

Here is a good example of that: Let's just say I bought a mortgage-backed security, a subprime mortgage-backed security, backed 100 percent by 30-year mortgage loans made in the State of Nevada—every one a subprime loan. Nevada has the highest foreclosure rate of any State on subprime paper. Seventy percent of those loans in Nevada today are paying right on time; 30 percent are in default. Yet, because of mark to market, that security is not marked at 70 percent, which it is performing at, but at zero because at a given point in time today you can't sell it. It is being held by the institution as an offsetting asset to a liability over a term of maturity.

At Tommy's Barber Shop, I ran into a pension fund man and an insurance guy, and they said: Why in the world don't we look for accounting on mark to market like we looked at the pension crisis in 2004?

We have short memories in the Senate. In 2004, because of the declining stock market in 2001 and 2002, there were a number of defined benefit plans in America that underfunded. Because of the accounting rules that were being enforced at the time, those institutions were asked to write checks to fully fund the pension funds when, in fact, not everybody is going to retire the same day but over a number of years.

What did we do in the Congress? With Senators KENNEDY, ENZI, myself, and others, we passed the Pension Protec-

tion and Reform Act. We said: If your pension fund's corpus becomes underfunded, if you cannot meet your obligation, we will let you smooth that investment, or amortize it, over 4 to 6 years. In the case of Delta, which was in trouble at the time, they had a \$900 million shortfall in their pension fund. But because of smoothing, instead of having to put \$900 million in in 1 year, they did \$150 million over 6 years. Delta is the most profitable airline in the United States today. They would not exist today had it not been for the smoothing.

The ACTING PRESIDENT pro tempore. The time for morning business has expired.

Mr. ISAKSON. Mr. President, I ask unanimous consent for another minute.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. ISAKSON. Mr. President, in conclusion, I hope everyone will visit their “Tommy's Barber Shop” and look at what we are doing that may have the unintended consequences of exacerbating the economic problem for the average American today and for Tommy the barber.

I yield the floor.

RECOGNITION OF THE MINORITY LEADER

The ACTING PRESIDENT pro tempore. The Republican leader is recognized.

Mr. MCCONNELL. Mr. President, I am going to proceed on my leader time.

The ACTING PRESIDENT pro tempore. The Republican leader is recognized.

THE BUDGET

Mr. MCCONNELL. Mr. President, we have seen the numbers. Unemployment is at a 25-year high. Millions are worried about holding on to their jobs and their homes. With every passing day, Americans are waiting for the administration to offer its plan to fix the banking crisis that continues to paralyze our economy. Every day, it seems, the administration officials are unveiling one new plan after another on everything from education to health care. Meanwhile, the details of a banking plan to address our main problem have yet to emerge.

We need reforms in health care and education and in many other areas. But Americans want the administration to fix the economy first. Unfortunately, the budget avoids the issue entirely. It simply assumes this enormously complex problem will be fixed, and then it proposes massive taxes, spending, and borrowing to finance a massive expansion of Government. It assumes the best of times, and, as millions of Americans will attest, these are not the best of times.

Over the next few weeks, the Senate will debate the details of this budget. One thing is already certain: It spends

too much, it taxes too much, and it borrows too much. This budget would be a stretch in boom times. In a time of hardship and uncertainty, it is exactly the wrong approach. The budget's \$3.6 trillion price tag comes on top of a housing plan that went into effect last week that could cost a quarter of a trillion dollars, a financial bailout that could cost another \$1 trillion to \$2 trillion, and a stimulus bill that will cost, with interest, more than a trillion dollars. Some are now talking about yet another stimulus. The national debt is more than \$10 trillion, and yesterday we passed a \$410 billion Government spending bill that represented an increase in Government spending over last year of twice the rate of inflation. In just 50 days, Congress has voted to spend about \$1.2 trillion between the stimulus and the omnibus. To put that into perspective, that is about \$24 billion a day or about \$1 billion an hour—most of it, of course, borrowed. There is simply no question that Government spending has spun out of control.

Given all this spending and debt, the cost of the budget might not seem like much to some people. But this is precisely the problem. To most people, it seems that lawmakers in Washington have lost the perspective of the taxpayer. It is long past time we started to think about the long-term sustainability of our economy, about creating jobs and opportunity for future generations. That will require hard choices. The omnibus bill avoided every one, and, unfortunately, so does the budget.

Stuart Taylor of the National Journal recently praised the President in two consecutive columns. Yet he was shocked by the President's budget. Here is what Taylor said about the budget:

“... Not to deny that the liberal wish list in Obama's staggering \$3.6 trillion budget would be wonderful if we had limitless resources,” Mr. Taylor wrote. “But in the real world, it could put vast areas of the economy under permanent government mismanagement, kill millions of jobs, drive investors and employers overseas, and bankrupt the nation.”

There is no question, in the midst of an economic crisis, this budget simply spends far too much. In order to pay for all this spending, the budget anticipates a number of rosy scenarios. It doesn't explain how the economic recovery will come about, it simply assumes that it will. It projects sustained growth beginning this year and continuing to grow 3.2 percent in 2010.

Let me say that again. It projects sustained growth beginning this year and continuing to grow 3.2 percent in 2010, 4 percent in 2011, and 4.6 percent in 2012. While we all hope to soon return to this growth, we cannot promise the growth we hope to have, especially when this growth is far from likely, particularly given a host of new policy proposals in the budget itself that are certain to tamp down growth even more. There is simply no question that this budget spends too much.

But even if this growth does occur, it would not be enough to support the